

July 3, 2019

**COMMENTS OF THE CITIES OF ANAHEIM, AZUSA, BANNING, COLTON,
PASADENA, AND RIVERSIDE, CALIFORNIA ON THE
ANALYSIS OF PRICE PERFORMANCE IN THE CAISO'S ENERGY MARKETS**

In response to the CAISO's request, the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (collectively, the "Six Cities") provide their comments on the June 18, 2019 analysis of Price Performance in the CAISO's Energy Markets (the "Price Performance Analysis"):

Recognizing that the Price Performance Analysis posted on June 18, 2019 represents an initial update regarding the CAISO's ongoing review and evaluation of price performance in the energy markets, the Six Cities' comments at this time are preliminary and subject to review of information released as the analysis goes forward. With respect to the analysis available to date, the Cities are particularly concerned with the divergence of prices between the Hour Ahead Scheduling Process ("HASP") and the Fifteen Minute Market ("FMM"). Under the currently effective market design, binding schedules may be awarded on an hourly basis in HASP based on advisory prices in the HASP market, but those schedules subsequently are settled based on prices in the FMM. The divergence between HASP and FMM prices can be substantial, as illustrated by the price relationships for several of the selected dates reported at pages 61-64 of the Price Performance Analysis. The risk of such significant divergence between the HASP and FMM prices discourages participation in the HASP, especially with respect to economic bidding. Although the Six Cities recognize that the CAISO's analysis of price performance does not constitute a policy initiative at this time, the Cities recommend that the analysis focus more closely on the relationships between HASP and FMM prices and that the CAISO begin to consider possible market design modifications to reduce the risks arising from HASP/FMM price divergence.

The Six Cities also are concerned about the CAISO's observation, reported at page 65 of the Price Performance Analysis, that significant numbers of solar resources have submitted bids up to their maximum capacity for hours when there is little or no solar input. It is the Cities' understanding that submission of bids for services that a resource cannot reasonably expect to be able to perform is inappropriate. Recognizing that the objective of the Price Performance Analysis is to assemble data for informational purposes, the CAISO should request that the

Department of Market Monitoring evaluate bidding conduct that may involve submission of physically infeasible bids.

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